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SIPDIS

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SUBJECT: AFTER THE DELUGE: THE EFFECTS OF HURRICANE STAN AND ILAMATEPEC VOLCANO ERUPTION

1. SUMMARY: El Salvador's geography and geology make it vulnerable to natural disasters such as earthquakes, hurricanes, and volcanoes. During October, the nation suffered a volcanic eruption, hurricane-induced flooding and mudslides, and an earthquake, although the latter caused little if any serious damage. Losses total an estimated \$355.6 million, including damages of \$113 million to private housing and \$103 million to roads. Crop losses total almost \$50 million. In polls since the disasters, President Saca has received high marks for the administration's rescue and disaster-relief efforts; with less than three months to go until March elections, positive perceptions of the administration's disaster response underscore its lead with prospective voters. END SUMMARY.

BACKGROUND

2. Lying on the Pacific's earthquake-prone Ring of Fire and at latitudes plagued by hurricanes, El Salvador's history is a litany of catastrophe, including the Great Hurricane of 1780 that killed 22,000 in Central America, and earthquakes in 1854 and 1917 that devastated El Salvador and destroyed most of the capital city. More recently, an October 1986 earthquake killed 1,400 and seriously damaged the nation's infrastructure; in Fall of 1998, Hurricane Mitch killed 10,000 in the region, although El Salvador--lacking a Caribbean coast--suffered less than Honduras and Nicaragua. Major earthquakes in January and February of 2001 took another 1,000 lives and left thousands more homeless and jobless.

AN OCTOBER TO REMEMBER

3. El Salvador's largest volcano, Santa Ana (also known by its indigenous name Ilamatepec), erupted on October 1, spewing tons of sulfuric gas, ash, and rock on surrounding communities and coffee plantations and killing two people. The death toll was relatively small because the government had already evacuated at-risk communities, based on increases in seismic activity that began June 15; however, the eruption permanently displaced 5,000 people, and forced the temporary evacuation of 15,000.

4. The following day, on October 2, Hurricane Stan unleashed heavy rains that caused flooding throughout El Salvador. During the first five days of October, nearly 400 millimeters (about 16 inches) of rain fell on land already saturated by wet-season rains. (Note: Late rainy-season precipitation usually averages approximately 250-300 mm per month during August, September, and October. End note.) Floods ruined crops in some of the most fertile parts of the country, and landslides disrupted transportation and communication in cities and rural areas. In all, the flooding caused 67 deaths, and more than 50,000 people were evacuated at some point during the crisis.

DAMAGES ESTIMATED AT \$355.6 MILLION

5. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) estimates the economic damages of these natural disasters at \$355.6 million, or 2.2 percent of annual GDP. ECLAC believes that the growth projections for this year will only be marginally affected, and that this negative effect will likely be counteracted next year by reconstruction efforts, especially by housing construction. ECLAC estimates a GDP growth rate of 2.2 percent for 2005, lower than the 2.5 percent previously projected. For 2006, GDP would grow by 3.2 percent, instead of the previous projection of 3 percent, thanks to increased economic activity spurred by reconstruction efforts. Inflation for 2005 will run approximately 4.5 percent instead of the 4 percent previously projected, mostly as a result of higher food prices due to increased transportation costs and crop damage.

6. Damage to private housing was estimated at \$113.1 million. Meanwhile, schools and healthcare facilities sustained damages of \$17 million and \$19.3 million, respectively, with 55 health units and one hospital reporting damage. Losses in transportation infrastructure

were estimated at \$103 million; a total of 300 kilometers of paved roads were damaged. Damage to public water systems totaled \$11.8 million. On the positive side, reservoirs now full from the rain are allowing hydroelectric generators to run at full capacity, and overall the sector's revenues are ahead an estimated \$1.3 million.

17. Crop losses totaled \$48.7 million, with coffee bearing the brunt of the damage due to the volcanic eruption. An estimated 43,000 hectares of coffee sustained significant damage, and the foundation for Coffee Research, PROCAFE, estimates that about 3 percent of the total coffee crop for the year was lost, with a potential value of almost \$6 million. Other crop damage included corn, vegetables, bananas, forage, fruits, cotton and beans. Subsistence farmers cultivating in flood plains were hit especially hard, losing their summer corn crop (which was drying in the fields), as well as a red-bean crop that is grown on the drying corn stalks. In a country already suffering severe erosion caused by overfarming marginal lands, ECLAC reports that landslides caused by the rains damaged another 955 hectares of land.

Relief Efforts Focus on Mitigation

18. On October 4, 2005, the Legislative Assembly declared a National Disaster and State of Emergency to free up resources for disaster response. President Saca has announced that public investment plans for next year would focus on disaster prevention and mitigation. An Inter-American Development Bank loan of \$43 million that was previously destined for the Ministry of Environment and Natural Resources will now go toward disaster mitigation efforts.

19. Housing reconstruction will also be a priority. A \$75 million loan from the Central American Economic Integration Bank for housing and road construction will also go to disaster relief, including a housing project that President Saca announced November 27 would provide homes to 2,000 persons displaced by the disasters. ECLAC projects that coping with the aftermath of the disasters will increase the fiscal deficit by 0.6 percent of GDP in 2006 for a total deficit of 2.9 for the year, and by 0.3 percent of GDP in 2007 for a total deficit of 2.1 percent of GDP. For 2006, reconstruction expenditures are estimated at \$100 million, with \$52 million estimated for 2007.

10. Bilateral donors have pledged a total of about \$9.5 million so far to support relief efforts. Spain has pledged \$3 million. Other donors include Germany, Italy, France, Taiwan, Mexico, Norway, South Korea, Japan, and Israel. Venezuela donated \$400,000 in food and supplies. The United States, through USAID, donated \$2.1 million total to the relief effort, including \$100,000 to Catholic Relief Services (CRS) for supplies, \$100,000 to PAHO for water and sanitation, \$15,000 for volcanic monitoring, \$400,000 in food aid, \$500,000 for small-scale infrastructure, and an additional \$1 million for priority needs to be identified in agreement with the Ministry of Foreign Affairs. Multilateral donors have contributed an additional \$1 million and have allowed the El Salvador to reprogram previously approved loans for disaster relief.

POLITICAL FALLOUT?

11. In a November CID-Gallup poll, 81 percent of those interviewed expressed approval of the Saca administration's overall response to October's crisis; 72 percent characterized the assistance to disaster victims as "Good" or "Very Good." Some 87 percent blamed the widespread destruction either on the exceptional strength of the abnormal weather, deforestation, or the construction of housing in at-risk areas, while only 6 percent indicated that the government bore any blame for the scope of the losses.

12. COMMENT: The damages from the October natural disasters, while serious, do not appear to have dealt a significant blow to the country's continued development on the scale of Hurricane Mitch or the deadly 2001 earthquakes. Recovery and reconstruction efforts are already underway. With less than three months to go until March municipal and Legislative Assembly elections, there seem to be no negative ramifications from October's natural disasters for the ruling ARENA party. On the contrary, the administration's efficient response appears to have enhanced its reputation for good government, and reinforced its advantage among likely voters. END COMMENT.

Barclay